Montana Department of Revenue

Dan Bucks
Director

Brian Schweitzer
Governor

TO: Kay Gray, Department of Administration

FROM: Jerome R. Patton, Economist

DATE: May 10, 2011

RE: Inflation Factor for Mill Levy Calculation in 15-10-420, MCA for **FY 2012**

The inflation factor for FY 2012 is 0.72%.

Per 15-10-420, MCA, "a governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3 years."

Additionally, the Department of Revenue shall, "calculate one-half of the average rate of inflation for the prior 3 years by using the consumer price index (CPI), U.S. city average, all urban consumers, using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor."

One-half the average rate of (compounding) inflation was determined by dividing the (U.S. All items, 1982-84=100 - non-seasonally adjusted) CPI for December 2010 (219.179) by the CPI for December 2007 (210.036), cubing the quotient, subtracting one, and multiplying the result by 50%.

One-half the average rate of inflation = $(((CPI_{2010} / CPI_{2007}) \wedge (1/3)) - 1) * 50\%$

$$(((219.179 / 210.036) \wedge (1/3)) - 1) * 50\% = 0.72\%$$

If you have any other questions, please feel free to contact me by way of email at JPatton@mt.gov or by phone at 406-444-2715.

Cc: Harold Blattie, MACo   Ralph Franklin, OBPP
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